

Town of Zwolle, Louisiana

FINANCIAL REPORT

YEAR ENDED MAY 31, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-27-00



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Eugene W. Fremaux II

Certified Public Accountant

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the clerk of court for filing in the public office of the clerk of court. The report is available for public inspection at the public office of the clerk of court, where appropriate, at the office of the parish clerk of court.

Release Date 12-07-00 3:32
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INDEPENDENT AUDITOR'S REPORT

The Honorable Roger Lopez, Mayor
and Board of Aldermen
Town of Zwolle, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Zwolle, Louisiana, and the combining, individual fund and account group financial statements of the Town of Zwolle, Louisiana, as of May 31, 2000, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Town of Zwolle, Louisiana, as of May 31, 2000, the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles. Also, in my opinion, the combining, individual fund, and account group financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Town of Zwolle at May 31, 2000, and the results of operations of such funds and the cash flows of the individual proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund and account group financial statements. The accompanying financial information listed as "Other Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Zwolle, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund and account group financial statements and in my opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated November 28, 2000 on my consideration of the Town of Zwolle, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The financial statements for the year ended May 31, 1999, which are included for comparative purposes, were taken from the financial report for that year in which I expressed an unqualified opinion dated November 26, 2000, on the general purpose, combining, individual fund, and account group financial statements of the Town of Zwolle, Louisiana.

A handwritten signature in black ink, appearing to read 'E. W. Fremaux II', with a stylized flourish at the end.

EUGENE W. FREMAUX II, CPA

November 28, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

TOWN OF ZWOLLE, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MAY 31, 2000

	GOVERNMENTAL FUND TYPE	PROPRIETARY FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM)
	GENERAL	CAPITAL PROJECTS	ENTERPRISE	GENERAL FIXED ASSETS
				MAY 31, 2000
				1999
ASSETS				
Cash and cash equivalents	\$128,090	\$52	\$242,712	\$370,854
Investments	200,000		100,000	300,000
Receivables	26,049		32,301	58,350
Due from Water and Sewer Fund	141,126			141,126
Due from other governments	12,425		20,849	33,274
Prepaid expenses	10,983		667	11,650
Restricted cash and cash equivalents	1,585		79,067	80,652
Land			1,560	57,496
Buildings				117,090
Equipment				134,451
Autos and trucks				178,852
Coding of ordinances				0
Recreation equipment				39,860
Utility plant and equipment			3,241,627	3,241,627
Accumulated depreciation			(909,361)	(909,361)
Total assets	<u>\$520,258</u>	<u>\$52</u>	<u>\$2,809,422</u>	<u>\$3,855,921</u>
			<u>\$526,189</u>	<u>\$3,506,589</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ZWOLLE, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MAY 31, 2000

	GOVERNMENTAL FUND TYPE	PROPRIETARY FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM)
	GENERAL	CAPITAL PROJECTS	ENTERPRISE FIXED ASSETS	MAY 31, 1999
				1998
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$18,033		\$62,009	\$80,042
Sales taxes payable			471	471
Payroll taxes withheld and payable	737			737
Accrued wages payable	15,574			15,574
Unearned revenue	0			0
Payable from restricted assets:				
Customers' deposits		22,510		22,510
Accounts payable		0		0
Water revenue bonds-current portion		10,326		10,326
Interest payable		3,405		3,405
Water revenue bonds		699,841		699,841
Due to General Fund		141,126		141,126
Total liabilities	34,344	939,688	0	974,032
Fund Equity:				
Contributed capital		1,960,167		1,960,167
Investments in general fixed assets			\$526,189	526,189
Retained earnings:				
Reserved		56,557		56,557
Unreserved		(146,990)		(146,990)
Fund balances:				
Unreserved:				
Undesignated	485,914			485,966
Total retained earnings(deficit)/fund balances	485,914	(90,433)	0	395,533
Total fund equity	485,914	1,869,734	526,189	2,881,889
Total liabilities and fund equity	\$520,258	\$2,809,422	\$526,189	\$3,855,921
				\$3,506,589

The notes to the financial statements are an integral part of this statement.

TOWN OF ZWOLLE, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPE
 GENERAL FUND
 YEARS ENDED MAY 31, 2000 AND 1999

	YEAR ENDED MAY 31	
	2000	1999
Revenues:		
Taxes	\$327,243	\$347,457
Licenses and permits	75,711	67,059
Intergovernmental	63,875	24,441
Charges for services	48,692	41,129
Fines and forfeits	25,084	26,476
Miscellaneous	31,299	29,090
Total revenues	571,904	535,652
Expenditures:		
Current:		
General government	143,322	125,081
Public safety:		
Police department	231,001	207,021
Fire department	498	3,022
Highways and streets	201,457	145,903
Health and sanitation	50,528	45,928
Recreation	47,253	7,442
Total expenditures	674,059	534,397
Excess of revenues over expenditures	(102,155)	1,255
Fund balances, beginning of year	588,069	586,814
Fund balances, end of year	\$485,914	\$588,069

The notes to the financial statements are an integral part of this statement.

TOWN OF ZWOLLE, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL - GOVERNMENTAL FUND TYPE
GENERAL FUND
YEARS ENDED MAY 31, 2000 AND 1999

	2000			1999		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Taxes	\$334,000	\$327,243	(\$6,757)	\$334,000	\$347,457	\$13,457
Licenses and permits	61,500	75,711	14,211	61,500	67,059	5,559
Intergovernmental	20,800	63,875	43,075	20,800	24,441	3,641
Charges for services	40,000	48,692	8,692	40,000	41,129	1,129
Fines and forfeits	23,000	25,084	2,084	23,000	26,476	3,476
Miscellaneous	18,800	31,299	12,499	18,800	29,090	10,290
Total revenues	498,100	571,904	73,804	498,100	535,652	37,552
Expenditures:						
Current:						
General government	124,853	143,322	(18,469)		125,081	(125,081)
Public safety:						
Police department	201,395	231,001	(29,606)	201,395	207,021	(5,626)
Fire department	0	498	(498)	0	3,022	(3,022)
Highways and streets	227,128	201,457	25,671		145,903	(145,903)
Health and sanitation	48,028	50,528	(2,500)		45,928	(45,928)
Recreation	45,064	47,253	(2,189)		7,442	(7,442)
Total expenditures	646,468	674,059	(27,591)	201,395	534,397	(333,002)
Excess (deficiency) of revenues over (under) expenditures	(148,368)	(102,155)	46,213	296,705	1,255	(295,450)
Other financing uses:						
Operating transfers out	0	0	0	0	0	0
Total other financing uses	0	0	0	0	0	0
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(148,368)	(102,155)	46,213	296,705	1,255	(295,450)
Fund balances, beginning of year	588,069	588,069	0	586,814	586,814	0
Fund balances, end of year	\$439,701	\$485,914	\$46,213	\$883,519	\$588,069	(\$295,450)

The notes to the financial statements are an integral part of this statement.

TOWN OF ZWOLLE, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
 PROPRIETARY FUND TYPE
 YEARS ENDED MAY 31, 2000 AND 1999

	YEAR ENDED MAY 31,	
	2000	1999
Operating revenues:	\$176,213	\$168,856
Water charges	79,275	51,980
Sewer charges	23,324	16,468
Tap, connect and reconnect fees	278,812	237,304
Total operating revenues		
Operating expenses:		
Water Department:	1,725	1,725
Legal and accounting	844	354
Bad debt expense	30,924	37,003
Depreciation	6,102	5,999
Insurance	16,053	7,438
Miscellaneous	1,773	2,533
Office supplies	3,434	3,318
Payroll taxes	1,828	2,681
Rent	8,914	15,974
Repairs and maintenance	45,096	43,368
Salaries	18,243	18,047
Supplies	231	681
Telephone	824	300
Travel	2,103	1,728
Truck expense	17,735	18,523
Utilities	155,829	159,672
Total water department expenses		
Sewer Department:	5,966	2,673
Chemicals	1,725	1725
Legal and accounting	0	0
Consultant fees	34,440	30,592
Depreciation	1,779	2,532
Insurance	2,512	1,566
Miscellaneous	80	0
Office supplies	1,145	901
Payroll taxes	6,290	12,497
Repairs and maintenance	15,021	11,783
Salaries	4,185	4,185
Sewer testing	4,370	5,397
Supplies	0	0
Travel	536	797
Truck expenses	47,460	34,536
Utilities	125,509	109,184
Total sewer department expenses		
Total operating expenses	281,338	268,856
Operating income (loss)	(2,526)	(31,552)
Nonoperating revenues (expenses):	17,074	15,809
Interest income	(39,167)	(36,795)
Interest expense	(22,093)	(20,986)
	(24,619)	(52,538)
Net income (loss)	(65,814)	(13,276)
Retained earnings, beginning of year		
Retained earnings (deficit), end of year	(\$90,433)	(\$65,814)

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA
COMPARATIVE STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
YEARS ENDED MAY 31, 2000 AND 1999

	YEAR ENDED MAY 31,	
	2000	1999
Cash flows from operating activities:		
Cash received from customers	\$268,212	\$243,916
Cash payments to suppliers and employees	(201,609)	(290,229)
Cash received from customers' deposits	5,330	4,950
Cash refunded for customers' deposits	(4,595)	(4,425)
Net cash provided by operating activities	67,338	(45,788)
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds	(10,872)	(9,769)
Grant funds received from Louisiana	39,060	417,042
Grant funds received from federal sources	343,308	75,457
Interest paid on revenue bonds	(38,528)	(35,831)
Payments for construction activities	(380,054)	(559,702)
Payments for capital acquisitions	(8,500)	(2,000)
Net cash provided (used) by capital and related financing activities	(55,586)	(114,803)
Cash flows from investing activities:		
Receipt of interest	17,074	15,809
Net cash provided by investing activities	17,074	15,809
Net increase (decrease) in cash and cash equivalents	28,826	(144,782)
Cash and cash equivalents, beginning of year	392,953	537,735
Cash and cash equivalents, end of year	\$421,779	\$392,953
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	(\$2,526)	(\$31,552)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	65,364	67,595
Provision for doubtful accounts receivable	844	354
(Increase) decrease in accounts receivable	(10,600)	6,612
(Increase) decrease in prepaid expenses	(542)	(125)
Increase (decrease) in sales taxes payable	67	15
Increase (decrease) in accounts payable and accrued wages payable	(40,798)	39,049
Increase in customers' deposits	735	525
Increase (decrease) in due to other funds	54,794	(128,261)
Total adjustments to operating income (loss)	69,864	(14,236)
Net cash provided by operating activities	\$67,338	(\$45,788)

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

(1) Summary of Significant Accounting Policies

The Town of Zwolle was incorporated September 13, 1889, under the provisions of a home rule charter. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Zwolle conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The more significant of the government's accounting policies are described below.

Principles determining scope of reporting entity

In evaluating how to define the Town of Zwolle for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the financial statements of the Town of Zwolle consists of only the funds and account groups since the Town has no oversight responsibility for any other governmental entity.

Fund accounting

The accounts of the Town of Zwolle are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

Governmental Fund - General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

in another fund.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the construction of major capital facilities.

Proprietary Fund - Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

In addition to the two broad types of governmental funds, the Town also maintains one account group as described below:

General Fixed Assets Account Group -

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Fund.

Fixed assets and long-term liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. The Town has elected not to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair market value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. The Town has no long-term liabilities as of May 31, 2000.

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not concerned with measurement of results of operations.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
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The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and sewer system	10-50 years
Water wells and pumps	20 years
Water filter systems	10-25 years
Water meters and hydrants	25 years
Trucks	5 years
Equipment	5-25 years

Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become susceptible to accrual (i.e., measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that accumulated unpaid vacation and sick pay are not accrued and principal and interest on general long-term debt is recognized when due. Purchase of various operating supplies are regarded as expenditures at the time purchased.

The primary revenue sources which are susceptible to accrual under the modified accrual basis of accounting include governmental revenues received for a specific period or quarter such as beer tax, tobacco tax, fire insurance tax, garbage charges receivable from the Enterprise Fund, sales taxes, franchise taxes, and interest income. These revenue sources are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Taxpayer assessed income, such as ad valorem taxes, and gross receipts from fines, occupational licenses and permits are considered measurable when in the hands of collecting governments and are recognized as revenue at that time. Miscellaneous revenues other than interest income

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
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are recorded when received in cash because they are generally not measurable until actually received.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

The Town reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town Treasurer prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding estimated amounts require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.
8. A budget is adopted for the Proprietary Fund on an accrual basis.

Cash and cash equivalents

Consistent with GASB Statement 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, the Town of Zwolle defines cash and cash equivalents as follows:

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
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Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Bad debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

Comparative data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Total columns on combined statements - overview

Total columns on the combined statements - overview are captioned "(MEMORANDUM ONLY)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Compensated absences

Employees of the Town are entitled to paid vacation depending on job classification, length of service, and other factors. Employees' vacation earned does not accumulate or vest. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements. The Town's policy is to recognize the costs of compensated absences when actually paid to employees.

(2) Ad Valorem Taxes

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year and penalties are assessed. All ad valorem tax revenues are recognized in compliance with NCGA Interpretation - 3 and GASB Codification Section P70 (Revenue Recognition - Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Sabine Parish.

For the year ended May 31, 2000, taxes of 7.71 mills were levied on property with assessed valuations totaling \$5,472,600. Total taxes levied were \$42,194 which were for general corporate purposes. Ad valorem taxes receivable at May 31, 2000 amounted to \$42.

(3) Interfund Receivables and Payables

Individual interfund receivables and payable balances at May 31, 2000, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$141,126	\$ 0
Proprietary Fund	<u>0</u>	<u>141,126</u>
<u>Total</u>	\$141,126 =====	\$141,126 =====

(4) Due from Other Governmental Units

Amounts due from other governmental units at May 31, 2000, consisted of the following:

<u>General Fund</u>	
Beer, and tobacco taxes due from the State of Louisiana	\$ 5,295
Anti-Litter grant	7,130
<u>Enterprise Fund</u>	
Due from State of Louisiana-capital outlay	<u>20,849</u>
	\$33,274 =====

(5) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at May 31:

	<u>2000</u>	<u>1999</u>
Customers' deposits	\$ 22,510	\$ 21,775
Revenue bonds:		
Sinking fund	4,487	4,308
Reserve fund	24,985	21,418
Depreciation & contingency fund	24,985	21,418
Construction fund	<u>2,100</u>	<u>2,456</u>
Total restricted assets	\$ 79,067 =====	\$ 71,375 =====

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

(6) Changes in Fixed Assets

A summary of changes in general fixed assets follows:

	BALANCE JUNE 1, 1999	ADDITIONS	DEDUCTIONS	BALANCE MAY 31, 2000
Land	\$ 12,172	\$43,764	\$ 0	\$ 55,936
Buildings	86,189	30,901	0	117,090
Equipment	107,043	27,408	0	134,451
Autos and trucks	178,852	0	0	178,852
Coding of ordinances	3,250	0	3,250	0
Recreation equipment	39,860	0	0	39,860
<u>Total</u>	<u>\$427,366</u>	<u>\$102,073</u>	<u>\$ 3,250</u>	<u>\$526,189</u>
	=====	=====	=====	=====

A summary of proprietary fund type property, plant and equipment at May 31, 2000 follows:

Building	\$ 5,940
Water system	1,203,589
Sewer system	1,322,619
Water wells and pumps	152,463
Water filter systems	33,252
Water meters and hydrants	21,604
Trucks	11,552
Equipment	34,735
Construction in progress - sewer upgrade	75,459
<u>Total</u>	<u>3,241,627</u>
Less accumulated depreciation	(909,361)
<u>Net</u>	<u>\$2,332,266</u>
	=====

(7) Retirement System

All employees of the Town of Zwolle, including police employees, are covered under the Social Security System. The employees pay 7.65% of their total salaries into the system, while the Town pays in a like amount. The Town contributed \$23,739 to the Social Security System for the year ended May 31, 2000 while the employees contributed a similar amount. The payroll for employees covered by the Social Security System for the year ended May 31, 2000 was \$310,316; the Town's total payroll was \$310,316. Data concerning the actuarial status of this system are unavailable. Future deficits in this system will be financed by the Federal government and the Town has no further liability to the system.

The police are also members of the Municipal Police Employees' Retirement System of Louisiana. The following is a brief description of this retirement system.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

Municipal Police Employees' Retirement System

The Municipal Police Employees' Retirement System provides retirement benefits to employees of any municipality in the state which employs a full-time police officer, empowered to make arrests, or which has an elected Chief of Police whose salary is at least \$100 per month.

Eligible employees include any full-time police officer, empowered to make arrests, employed by a municipality of the State and engaged in law enforcement, earning at least \$375 per month excluding state supplemental pay, or an elected Chief of Police whose salary is at least \$100 per month. Elected Councilmen and Mayors are excluded from membership.

Persons who were members on September 7, 1977 must remain members of the System and persons hired on or after that date must become members of the System as a condition of employment if they are under age 50 and are not covered by the Social Security System.

Employees attaining the age of 50 completing 20 or more years of service, or the age of 55 and completing 12 years of service, are entitled to a yearly benefit of 3 1/3% of their average final compensation, as defined in the plan, times years of creditable service. Active employees who become disabled after 1985 due to total and permanent disability, with at least 5 years of creditable service, receive a benefit of 3% of average final compensation multiplied by the years of creditable service, but not less than 40% nor more than 60% of average final compensation. Upon reaching retirement age, disability pensioners receive the greater of disability benefits or accrued benefits earned to the date of disability. Prior to the enactment of Act 81 of 1985, other disability rules may be applicable as described in the plan. The system also provides for death benefits as described in the plan.

Covered employees are required by state statute to contribute 7.5% of their salary to the System. The Town is required to contribute 9% of covered employees' salaries to the System. The contribution requirement for the year ended May 31, 2000 was \$11,390 which consisted of \$6,213 from the Town and \$5,177 from covered employees.

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB 5 that, with some exceptions must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the Municipal Police Employees' Retirement System as of June 30, 1999 was as follows:

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

Total pension benefit obligations	\$1,259,321,650
Net assets available for benefits	<u>1,148,895,773</u>
Unfunded (assets in excess of) pension benefit obligation	\$ (110,425,877) =====

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 1999. Net assets available to pay pension benefits were valued as of the same date.

Ten-year historical trend information is presented in the System's June 30, 1999 comprehensive annual financial report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Municipal Employees' Retirement System

Other full time employees participate in the Municipal Employees' Retirement System of Louisiana (the System), a multiple-employer public employee retirement system. Employees who retire at or after age 65 with 10 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the last three years of credited service. Employees may retire at or after age 60 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute. Participating employees contribute 5% of their total salary into the System, and the Town contributes an amount equal to 4.5% of the total salaries of participating employees. For the year ended May 31, 2000, the total contributions to this System were \$4,346, of which the Town contributed \$2,067 and the employees contributed \$2,297. Total payroll covered by this System was \$45,930. Total unfunded pension benefit obligation of the Municipal Employees' Retirement System as of June 30, 1999 was as follows:

Total pension benefit obligations	\$96,158,035
Net assets available for benefits	<u>88,384,208</u>
Unfunded pension benefit obligation	\$ 7,773,827 =====

The Town of Zwolle does not guarantee the benefits granted by any of the systems in which it participates.

(8) Lease Obligations

The Town is obligated under a certain lease accounted for as an operating lease. This lease is for the use of land comprising 2.98 acres for the operation and drilling of water wells. The term of the lease is forty years with an annual rental of \$1,500 payable monthly at \$125 per month. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreement is not reflected in the Town's account groups. The following is a schedule by years of future minimum rental payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of May 31, 2000:

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

<u>Year ending</u> <u>May 31</u>	<u>Amount</u>
2001	1,500
2002	1,500
2003	1,500
2004	1,500
2005	1,500
Later years	<u>37,625</u>
Total minimum payments required	<u>\$45,125</u> =====

In addition, the Town has entered into a tractor lease dated April 4, 2000, which requires lease payments of \$6,864 in years 2001 through 2004, and \$5,148 in 2005.

(9) Cash and Investments

Louisiana revised Statutes authorize the Town to invest in United States bonds, treasury notes or certificates, or to deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

As described in Note 1, cash equivalents include all short term highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the date of purchase, have a maturity date no longer than three months qualify under this definition.

At May 31, 2000, the Town of Zwolle has cash and investments totaling \$751,506, as follows:

	<u>General</u> <u>Fund</u>	<u>Enterprise</u> <u>Fund</u>	<u>Total</u>
Demand deposits	\$ 2,258	\$ 2,420	\$ 4,678
Money market accounts	127,051	319,311	446,362
Savings accounts	266	0	266
Investments	200,000	100,000	300,000
Petty cash	<u>100</u>	<u>100</u>	<u>200</u>
Total cash and investments	<u>\$329,675</u> =====	<u>\$421,831</u> =====	<u>\$751,506</u> =====

Of the total of \$751,306 deposited in demand and time deposits as of May 31, 2000, \$108,198 was secured through federal depository insurance, \$361,194 was secured by the pledge of securities owned by the depository bank, and \$281,914 was on deposit with the Louisiana Asset Management Pool, which are considered secured deposits. These securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to both parties. These secured bank deposits are considered uncollateralized under the provisions of GASB Statement 3; however, Louisiana Revised Statutes require the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Town that the pledging bank has failed to pay deposited funds upon demand.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

(10) Long-term Debt

On October 29, 1991, the Town entered into an agreement with Farmers Home Administration (FmHA) to allow the Town to undertake a water system improvement project at an estimated cost of \$975,000. Funding for the project was provided by FmHA by means of issuance of \$780,000 of revenue bonds (Bonds) and by a \$195,000 grant. On April 20, 1992, the Town executed a "Project Advance Agreement" with the Louisiana Public Facilities Authority (LPFA) to provide interim financing for the water system improvement project based on the commitment for permanent financing from FmHA. On September 25, 1993 the Bonds were issued and the interim financing with LPFA was repaid. The Bonds bear interest at the rate of five percent (5%) from the date of issuance. Principal and interest on the Bonds are payable over a forty (40) year period, with the first payment consisting of interest only (\$39,000) which was due on the first anniversary of the issuance date (September 25, 1993). Commencing one month after the first anniversary date, and monthly thereafter, payments of principal and interest will be \$3,799 monthly.

The following is a schedule by years of future principal payments under the above Bonds:

<u>Year ending</u> <u>May 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	10,326	35,257	45,583
2002	10,855	34,728	45,583
2003	11,410	34,173	45,583
2004	11,994	33,589	45,583
2005	12,607	32,976	45,583
Later years	<u>679,517</u>	<u>530,364</u>	<u>1,209,881</u>
Total	\$710,168 =====	\$668,179 =====	\$1,378,346 =====

Under the terms of the bond agreement with FmHA, all income and revenues earned or derived from operations of the utility fund are pledged and dedicated to the retirement of the Bonds, and are to be used for the following expressed purposes:

(a) Payment of all reasonable expenses of operation and maintenance of the system.

(b) Each month there will be set aside into a fund called the "Water Revenue Bond and Interest Sinking Fund" (the "Sinking Fund"), a sum equal to one-twelfth (1/12th) the interest falling due on the next interest payment date during the first year the Bonds are outstanding and, thereafter, a sum equal to the total amount of principal and interest falling due on the next principal and interest payment date together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Monthly deposits of \$3,250 are required through September 25, 1993, and \$3,799 monthly thereafter. The balance required at May 31, 2000 is \$3,799. The present balance is \$4,487.

(c) There will be set aside monthly into a "Water Revenue Bond Reserve Fund" (the "Reserve Fund"), commencing with the month following completion of and

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

acceptance of the improvements and extensions financed with the proceeds of the Bonds, a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund provided for in paragraph (b) above, the payments into the Reserve Fund to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the Bonds as a Debt Service Reserve, the money in the Reserve Fund to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. Monthly deposits of \$163 are required through September 25, 1993 and \$190 monthly thereafter until the balance reaches \$45,583. The balance required at May 31, 2000 is \$16,832. The present balance is \$24,985.

(d) There will be set aside monthly into a "Water Depreciation and Contingency Fund" (the "Contingency Fund") to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System, commencing with the month following completion of and acceptance of the improvements and extensions financed with the proceeds of the Bonds, the sum of \$193 per month. The balance required at May 31, 2000 is \$17,756. The present balance is \$24,985.

A portion of retained earnings is reserved to cover these restricted assets for future debt service on the revenue bonds.

(11) Sales and Use Tax

On April 16, 1988, the voters of the Town of Zwolle approved a 1% sales and use tax upon the sale at retail, the use, the lease or rental, the consumption or storage for use or consumption of tangible personal property and on sales of services in the Town. The 1% sales and use tax is dedicated to the General Fund to be used for any lawful corporate purpose as deemed necessary by the Board of Aldermen. Sales taxes receivable as of May 31, 2000 amounted to \$19,187.

(12) Deficit in Retained Earnings

The retained earnings deficit in the Utility Fund at May 31, 2000 is due primarily to an unusually high level of repairs during 1995, engineering fees of \$50,960 related to design work on a new wastewater processing plant, which design was subsequently abandoned by the Town, and increased operational costs of the wastewater treatment plant as a result of plant upgrades which became operational in October 1998. In September 1999 the Town increased water and sewer rates, effective December 1, 1999, to return the Utility Fund to profitability and to eliminate the deficit in retained earnings within the next several years.

(13) Contingencies

Grant Audits

The Town receives Federal and State grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the State for expenditures disallowed, if any, under the terms and conditions of the appropriate agency.

TOWN OF ZWOLLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000

Engineering fees

The Town has been billed by Balar Associates, Inc. for engineering fees in the amount of \$59,060 related to the design of a new wastewater treatment plant, which design has subsequently been abandoned by the Town. The amount and payment of these fees have been in dispute, and Balar Associates, Inc. filed suit against the Town on October 18, 1995 to recover the billed fees. The Town has recorded an expense of \$50,960 relating to this contract, however the Town plans to contest this suit.

(14) Pending Litigation

In addition to the legal proceeding discussed in Note 13, the Town is a party to other legal proceedings involving suits filed against the Town for various reasons, however Town management does not believe the Town is exposed to any material losses in these proceedings. Accordingly, no provision for losses (other than as discussed in Note 13) is included in the financial statements.

(15) Reclassifications

Certain reclassifications of 1999 amounts in the financial statements have been made for comparability purposes.

FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS
AND ACCOUNT GROUPS

* * * * *

GENERAL FUND

To account for resources traditionally associated with governments which
are not required to be accounted for in another fund.

TOWN OF ZWOLLE, LOUISIANA
GENERAL FUND
BALANCE SHEET
MAY 31, 2000 AND 1999

ASSETS	2000	1999
Cash and cash equivalents	\$128,090	\$188,108
Cash - restricted	1,585	0
Investments	200,000	300,000
Receivables	26,049	20,480
Due from Water and Sewer Fund	141,126	86,332
Due from State of Louisiana	12,425	3,962
Prepaid insurance	10,983	10,989
 Total assets	 \$520,258	 \$609,871
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$18,033	\$8,446
Payroll taxes withheld and payable	737	3,571
Accrued wages payable	15,574	9,785
Unearned revenue	0	0
 Total liabilities	 34,344	 21,802
 Fund Balance:		
Fund balance - undesignated	485,914	588,069
 Total fund balance	 485,914	 588,069
 Total liabilities and fund balance	 \$520,258	 \$609,871

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED MAY 31, 2000
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MAY 31, 1999

	2000		1999	
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
Revenues:				
Taxes:				
Ad valorem taxes	\$43,000	\$43,583	\$583	\$43,270
Franchise taxes	46,000	46,137	137	44,672
Sales taxes	245,000	237,523	(7,477)	259,515
Total taxes	334,000	327,243	(6,757)	347,457
Licenses and permits:				
Occupational licenses	60,000	74,339	14,339	65,270
Beer licenses	1,500	1,372	(128)	1,789
Total licenses and permits	61,500	75,711	14,211	67,059
Intergovernmental:				
Beer tax	8,000	9,678	1,678	8,192
Tobacco tax	9,200	9,255	55	9,255
Video poker	0	73	73	1,820
Federal and state grants	0	39,665	39,665	0
Payment in lieu of tax - Sabine Parish Housing Authority	3,600	5,204	1,604	5,174
Total intergovernmental revenue	20,800	63,875	43,075	24,441
Charges for services:				
Garbage and trash charges	40,000	48,692	8,692	41,129
Total charges for services	40,000	48,692	8,692	41,129
Fines and Forfeits:				
Fines	23,000	25,084	2,084	26,476
Total fines and forfeits	23,000	25,084	2,084	26,476
Miscellaneous revenues:				
Interest income	16,000	15,694	(306)	14,205
Other	2,800	15,605	12,805	14,885
Total miscellaneous revenues	18,800	31,299	12,499	29,090
Total revenues	498,100	571,904	73,804	535,652

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED MAY 31, 2000
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MAY 31, 1999

	2000			1999
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
Revenues:				
Taxes:				
Ad valorem taxes	\$43,000	\$43,583	\$583	\$43,270
Franchise taxes	46,000	46,137	137	44,672
Sales taxes	245,000	237,523	(7,477)	259,515
Total taxes	334,000	327,243	(6,757)	347,457
Licenses and permits:				
Occupational licenses	60,000	74,339	14,339	65,270
Beer licenses	1,500	1,372	(128)	1,789
Total licenses and permits	61,500	75,711	14,211	67,059
Intergovernmental:				
Beer tax	8,000	9,678	1,678	8,192
Tobacco tax	9,200	9,255	55	9,255
Video poker	0	73	73	1,820
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Total intergovernmental revenue	20,800	63,875	43,075	24,441
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TOWN OF ZWOLLE, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED MAY 31, 2000
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MAY 31, 1999

	2000		1999	
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
Expenditures:				
Current:				
General government:				
Salaries - Administrative	\$0	\$0	\$0	\$0
Salaries - Mayor & Alderman	27,000	26,500	500	27,385
Salaries - office	17,160	15,801	1,359	21,092
Legal & accounting	6,450	6,641	(191)	6,248
Payroll taxes	3,378	3,236	142	3,708
Unemployment benefits	0	0	0	0
Office supplies & printing	6,550	5,877	673	8,328
Insurance	20,000	14,867	5,133	9,943
History and anti-litter grant	0	13,182	(13,182)	0
Depot maintenance	300	978	(678)	262
Dues and subscriptions	1,400	2,580	(1,180)	875
Advertising	2,750	2,674	76	2,413
Supplies	5,000	3,544	1,456	4,448
Utilities and telephone	11,375	10,107	1,268	13,396
Collection fee	4,500	4,014	486	4,566
Repairs & maintenance	3,240	852	2,388	3,002
Travel & seminars	10,000	8,067	1,933	5,844
Miscellaneous	2,150	16,359	(14,209)	6,019
Fiesta expense	600	0	600	1,493
Capital outlay	3,000	8,043	(5,043)	6,059
Total general government	124,853	143,322	(18,469)	125,081
Public safety:				
Police department:				
Salaries	130,000	135,170	(5,170)	118,132
Training	1,600	3,302	(1,702)	1,240
Jail expense	0	369	(369)	2,565
Police car expense	16,000	12,009	3,991	21,010
Insurance	16,650	15,076	1,574	18,815
Miscellaneous	6,400	5,095	1,305	2,720
Supplies	3,500	3,865	(365)	4,889
Payroll taxes	9,945	10,341	(396)	9,037
Retirement	0	6,213	(6,213)	0
Telephone	800	738	62	1,090
Uniform maintenance	1,500	1,212	288	1,984
Capital outlay	15,000	37,611	(22,611)	25,539
Total police department	201,395	231,001	(29,606)	207,021

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED MAY 31, 2000
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MAY 31, 1999

	2000		1999	
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
Expenditures: (continued)				
Fire department	\$0	\$498	(\$498)	\$3,022
Highways and streets:				
Salaries	35,000	34,151	849	28,916
Payroll taxes	2,678	2,613	65	2,212
Repairs & maintenance	129,500	106,436	23,064	51,120
Supplies & materials	8,000	4,613	3,387	3,504
Miscellaneous	350	4,248	(3,898)	1,633
Street signs	1,200	341	859	0
Street lighting	20,000	20,124	(124)	18,480
Street truck & tractor expense	5,000	12,611	(7,611)	9,506
Insurance	5,400	3,665	1,735	8,608
Capital outlay	20,000	12,655	7,345	21,924
Total highways and streets	227,128	201,457	25,671	145,903
Health and sanitation:				
Salaries	35,000	34,828	172	29,243
Payroll taxes	2,678	2,664	14	2,237
Garbage truck expense	4,400	3,252	1,148	2,980
Miscellaneous	700	2,564	(1,864)	637
Insurance	4,850	6,265	(1,415)	10,397
Supplies	400	955	(555)	434
Capital outlay	0	0	0	0
Total health and sanitation	48,028	50,528	(2,500)	45,928
Recreation:				
Repair & maintenance	1,000	0	1,000	146
Miscellaneous	100	2,709	(2,609)	2,251
Capital outlay	43,764	43,764	0	5,000
Utilities	200	780	(580)	45
Total recreation	45,064	47,253	(2,189)	7,442
Total expenditures	646,468	674,059	(27,591)	534,397
Excess (deficiency) of revenues over (under) expenditures	(148,368)	(102,155)	46,213	1,255
Fund balance, beginning of year	588,069	588,069	0	586,814
Fund balance, end of year	\$439,701	\$485,914	\$46,213	\$588,069

The accompanying notes are an integral part of these statements.

ENTERPRISE FUND

Water and Sewer Fund - To account for the provision of water and sewer services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF ZWOLLE, LOUISIANA
ENTERPRISE FUND - WATER AND SEWER FUND
COMPARATIVE BALANCE SHEET
MAY 31, 2000 AND 1999

ASSETS	2000	1999
Current assets:		
Cash and cash equivalents	\$242,712	\$121,578
Investments, at cost	100,000	200,000
Accounts receivable, net of allowance for doubtful accounts of \$4,051 in 2000 and \$3,207 in 1999	32,301	22,545
Due from state of Louisiana	20,849	43,015
Prepaid expenses	667	125
Total current assets	<u>396,529</u>	<u>387,263</u>
Restricted assets:		
Cash and cash equivalents		
Customers' deposits	22,510	21,775
Revenue bonds:		
Sinking fund	4,487	4,308
Reserve fund	24,985	21,418
Depreciation & contingency fund	24,985	21,418
Construction fund	2,100	2,456
Total restricted assets	<u>79,067</u>	<u>71,375</u>
Land	1,560	1,560
Plant and equipment, at cost, net of accumulated depreciation of \$909,361 in 2000 and \$847,518 in 1999	<u>2,332,266</u>	<u>2,009,075</u>
Total assets	<u>\$2,809,422</u>	<u>\$2,469,273</u>

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA
ENTERPRISE FUND - WATER AND SEWER FUND
COMPARATIVE BALANCE SHEET
MAY 31, 2000 AND 1999

LIABILITIES AND FUND EQUITY	2000	1999
Liabilities:		
Current liabilities (payable from current assets):		
Accounts payable	\$62,009	\$102,807
Sales taxes payable	471	404
Due to General Fund	141,126	86,332
Total current liabilities (payable from current assets)	203,606	189,543
Current liabilities (payable from restricted assets):		
Customers' meter deposits	22,510	21,775
Accounts payable	0	0
Water revenue bonds	10,326	9,856
Interest payable	3,405	2,766
Total current liabilities (payable from restricted assets)	36,241	34,397
Long-term liabilities:		
Water revenue bonds	699,841	711,183
Total liabilities	939,688	935,123
Fund equity:		
Contributed capital-		
Municipality	133,944	133,944
Federal Revenue Sharing	62,540	62,540
HUD block grant	72,272	72,272
FHA grant	195,000	195,000
Louisiana sewer grant	516,895	500,000
LDUCA CDB grant	979,516	636,208
Total contributed capital	1,960,167	1,599,964
Retained earnings (deficit):		
Reserved for revenue bonds-		
Sinking fund	4,487	4,308
Reserve fund	24,985	21,418
Depreciation & contingency fund	24,985	21,418
Construction fund	2,100	2,456
Unreserved (deficit)	(146,990)	(115,414)
Total retained earnings (deficit)	(90,433)	(65,814)
Total fund equity	1,869,734	1,534,150
Total liabilities and fund equity	\$2,809,422	\$2,469,273

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
WATER AND SEWER FUND - BUDGET (GAAP BASIS) AND ACTUAL
YEARS ENDED MAY 31, 2000 AND 1999

	2000			1999
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
Operating revenues:				
Water charges	\$170,000	\$176,213	\$6,213	\$168,856
Sewer charges	53,000	79,275	26,275	51,980
Tap, connect and reconnect fees	14,540	23,324	8,784	16,468
Total operating revenues	237,540	278,812	41,272	237,304
Operating expenses:				
Water Department:				
Legal and accounting	1,750	1,725	25	1,725
Bad debt expense	50	844	(794)	354
Depreciation	37,000	30,924	6,076	37,003
Insurance	9,450	6,102	3,348	5,999
Miscellaneous	17,900	16,053	1,847	7,438
Office supplies & postage	850	1,773	(923)	2,533
Payroll taxes	2,907	3,434	(527)	3,318
Rent	1,550	1,828	(278)	2,681
Repairs and maintenance	17,500	8,914	8,586	15,974
Salaries	38,000	45,096	(7,096)	43,368
Supplies	18,000	18,243	(243)	18,047
Telephone	1,054	231	823	681
Travel	1,500	824	676	300
Truck expense	3,000	2,103	897	1,728
Utilities	21,000	17,735	3,265	18,523
Total water department expenses	171,511	155,829	15,682	159,672
Sewer Department:				
Chemicals	3,720	5,966	(2,246)	2,673
Legal and accounting	1,700	1,725	(25)	1,725
Consultant fees	0	0	0	0
Depreciation	33,000	34,440	(1,440)	30,592
Insurance	1,400	1,779	(379)	2,532
Miscellaneous	844	2,512	(1,668)	1,566
Office supplies	50	80	(30)	0
Payroll taxes	995	1,145	(150)	901
Repairs and maintenance	15,000	6,290	8,710	12,497
Salaries	13,000	15,021	(2,021)	11,783
Sewer testing	4,260	4,185	75	4,185
Supplies	3,000	4,370	(1,370)	5,397
Travel	1,500	0	1,500	0
Truck expenses	0	536	(536)	797
Utilities	43,000	47,460	(4,460)	34,536
Total sewer department expenses	121,469	125,509	(4,040)	109,184
Total operating expenses	292,980	281,338	11,642	268,856
Operating income (loss)	(55,440)	(2,526)	52,914	(31,552)
Nonoperating revenues (expenses):				
Interest income	10,000	17,074	7,074	15,809
Interest expense	(37,000)	(39,167)	(2,167)	(36,795)
	(27,000)	(22,093)	4,907	(20,986)
Net income (loss)	(82,440)	(24,619)	57,821	(52,538)
Retained earnings, beginning of year	(65,814)	(65,814)	0	(13,276)
Retained earnings (deficit), end of year	(\$148,254)	(\$90,433)	\$57,821	(\$65,814)

The accompanying notes are an integral part of these statements.

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

TOWN OF ZWOLLE, LOUISIANA
COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS
MAY 31, 2000 AND 1999

	2000	1999
General fixed assets, at cost:		
Land	\$55,936	\$12,172
Buildings	117,090	86,189
Equipment	134,451	107,043
Automobiles, trucks and machinery	178,852	178,852
Coding of ordinances	0	3,250
Recreation equipment	<u>39,860</u>	<u>39,860</u>
Total general fixed assets	<u>\$526,189</u>	<u>\$427,366</u>
Investment in general fixed assets:		
General fund revenues	\$350,335	\$271,648
Federal revenue sharing funds	120,215	120,215
Grants	36,910	16,774
Contributions	<u>18,729</u>	<u>18,729</u>
Total investment in general fixed assets	<u>\$526,189</u>	<u>\$427,366</u>

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED MAY 31, 2000

	LAND	BUILDINGS	EQUIPMENT	AUTOMOBILES, TRUCKS AND MACHINERY	CODING OF ORDINANCES	RECREATION EQUIPMENT	TOTAL
General fixed assets, June 1, 1999	\$12,172	\$86,189	\$107,043	\$178,852	\$3,250	\$39,860	\$427,366
Additions	43,764	30,901	27,408	0	0	0	102,073
Deductions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,250)</u>	<u>0</u>	<u>(3,250)</u>
General fixed assets, May 31, 2000	<u>\$55,936</u>	<u>\$117,090</u>	<u>\$134,451</u>	<u>\$178,852</u>	<u>\$0</u>	<u>\$39,860</u>	<u>\$526,189</u>

The accompanying notes are an integral part of these statements.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for the construction of major capital facilities.

TOWN OF ZWOLLE, LOUISIANA
CAPITAL PROJECTS FUNDS
LCDBG FUND
COMPARATIVE BALANCE SHEET
MAY 31, 2000 AND 1999

ASSETS	2000	1999
Cash	\$52	\$79
LCDBG grant revenue receivable	0	0
Total assets	\$52	\$79
LIABILITIES AND FUND BALANCE		
Liabilities:		
LCDBG grant contracts payable	\$0	\$0
Total liabilities	0	0
Fund balance - unreserved	52	79
Total liabilities and fund balance	\$52	\$79

The accompanying notes are an integral part of these statements.

TOWN OF ZWOLLE, LOUISIANA
CAPITAL PROJECTS FUNDS
LCDBG FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEARS ENDED MAY 31, 2000 AND 1999

	2000	1999
Revenues:		
LCDBG grant	\$343,308	\$75,457
Local contributions	<u>0</u>	<u>100</u>
Total revenues	<u>343,308</u>	<u>75,557</u>
Expenditures:		
Administration	13,588	9,551
Acquisition	9,975	0
Engineering	0	65,927
Construction	<u>319,772</u>	<u>0</u>
Total expenditures	<u>343,335</u>	<u>75,478</u>
Excess of revenues over expenditures	(27)	79
Fund balance, beginning of year	<u>79</u>	<u>0</u>
Fund balance, end of year	<u>\$52</u>	<u>\$79</u>

The accompanying notes are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 1

TOWN OF ZWOLLE, LOUISIANA
SCHEDULE OF PER DIEM PAID THE BOARD OF ALDERMEN
YEAR ENDED MAY 31, 2000

Roger Lopez	\$12,000
Allen Rivers	3,000
Martha Henderson	3,000
Carolyn Cutright	3,000
Nell Maxey	3,000
Ellzy Anderson	3,000

Supplementary schedule. Presented as additional analytical data.

TOWN OF ZWOLLE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2000

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Louisiana Office of Community Development Community Development Block Grant	14.228	107-800290	\$343,335
U.S. DEPARTMENT OF AGRICULTURE			
Economic recovery	10.670		3,240
U. S. DEPARTMENT OF JUSTICE			
Passed through Louisiana Commission on Law Enforcement and Administration of Criminal Justice	16.592	Z98-1-019	1,006
			<u>\$347,581</u>

NOTE - The above schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Roger Lopez, Mayor
and Board of Aldermen
Town of Zwolle, Louisiana

I have audited the general purpose financial statements and the combining, individual fund and account group financial statements of the Town of Zwolle, Louisiana, as of May 31, 2000 for the year then ended, and have issued my report thereon dated November 28, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Zwolle, Louisianas general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provision was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

STATUS OF PRIOR YEAR CONDITION

Existing condition

In February 1999 the Town purchased a police car for \$21,899, however public bids were not obtained. In addition, in June 1999 the Town purchased a used backhoe for \$17,000 without obtaining public bids. In both cases, three quotes were obtained and the lowest quote was accepted, however the amounts involved required that public bids be obtained. Town management indicated that the February purchase without public bids was due to a misunderstanding of the definition of "bids". Town management indicated that the June purchase was made without public bids because they did not understand that the bid law pertained to purchases of used equipment.

Recommended action

Town management should put all purchases in excess of the legal limits out for public bid and follow all the required public bid law provisions.

Action taken

No additional violations of the public bid law were noted during the year ended May 31, 2000.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Zwolle, Louisianas internal control over financial reporting in order to determine my auditing

procedures for the purpose of expressing an opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management, Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Eugene W. Fremaux II', with a stylized flourish at the end.

EUGENE W. FREMAUX II, CPA
November 28, 2000

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Roger Lopez, Mayor
and Board of Aldermen
Town of Zwolle, Louisiana

Compliance

I have audited the compliance of the Town of Zwolle, Louisiana, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended May 31, 2000. The Town of Zwolle, Louisianas major federal programs are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Zwolle, Louisianas management. My responsibility is to express an opinion on the Town of Zwolle, Louisianas compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Zwolle, Louisianas compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Town of Zwolle, Louisianas compliance with those requirements.

In my opinion, the Town of Zwolle, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended May 31, 2000.

Internal Control Over Compliance

The management of the Town of Zwolle, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Town of Zwolle, Louisianas internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or

more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the Mayor, Board of Aldermen, Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'Eugene W. Fremaux II', with a stylized flourish at the end.

EUGENE W. FREMAUX II, CPA

November 28, 2000

Town of Zwolle, Louisiana
**Schedule of Findings and Questioned Costs
and
Summary Schedule of Prior Audit Findings**
May 31, 2000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS:

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Zwolle, Louisiana.
2. No reportable conditions relating to the audit of the general purpose financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the general purpose financial statements of the Town of Zwolle, Louisiana were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program is reported in the report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for the Town of Zwolle, Louisiana expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award program for the Town of Zwolle, Louisiana.
7. The program tested as a major program was a Community Development Block Grant from the U.S. Department of Housing and Urban Development, passed through the State of Louisiana.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Town of Zwolle, Louisiana was not determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Program Audit

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

There were no findings or questioned costs for the year ended May 31, 1999.